

The Facts on Federal Accountability

Last Updated August 2025

Overview

The U.S. Department of Education is the entity primarily responsible for ensuring colleges have the staff, budget and resources to be able to access federal student aid for their students, an \$120 billion pot of money known as Title IV funds. The Education Department has a number of tools at its disposal for determining whether an institution meets the requirements. In addition to certification of eligibility, these tools include internal processes such as program reviews, financial audits, and compliance audits in the case of for-profit institutions of education. It also includes statutory metrics, which are intended to hold institutions accountable, including the cohort default rate, a measure of how many students default, and 90/10 rates, which require that for-profit institutions receive at least 10 percent of their revenue from sources other than the federal government. Finally, there are other measures currently in implementation that would provide transparency and accountability, which are the Gainful Employment and Fair Value Transparency rules, and the recently passed budget reconciliation legislation, which holds degree programs accountable for ensuring their students receive an earnings boost post-completion.

Key Challenges

- **Too many students are not well served:** Higher education is one of the surest paths to economic security, and for most students, it pays off in increased earnings and better job prospects. But for too many students, they don't get the return on investment and may end up worse off.
 - Student Debt and Repayment: Millions of federal student loan borrowers are in default, and many are likely to remain so for a long time. Students [attending for-profit colleges](#) are significantly more likely to default.
 - College Completion: About [one-third](#) of student loan borrowers leave higher education without a credential. Non-completers are at much higher risk of defaulting, with 40 percent defaulting within 12 years of entering repayment.
 - Employment and Earnings: Graduates at roughly a [quarter](#) of American colleges go on to earn less than a high school graduate.
- **Measures intended to hold institutions accountable for default are ineffective.** The cohort default rate (CDR) policy is designed to remove from the federal aid system any school that sees many of their students default. But it has historically been ineffective at addressing high default rates. First, rates can be manipulated by steering borrowers who have trouble repaying into temporary forbearances that pause their required payments. Because CDR is only measured over a three-year window, these borrowers may still default after the measurement period but are not captured in the rates. Second, schools have many justifications they can use to appeal their rates, so even if they fail the benchmarks repeatedly, they often still continue to receive federal aid.

- **The Department of Education is woefully understaffed and facing large-scale changes:** The Trump administration has pursued aggressive staff cuts at the Education Department. The office that primarily oversees colleges compliance with federal laws was subject to mass firings. At the same time, legislation Congress passed in July creates a complex new system that tries to hold colleges accountable if their graduates don't achieve sufficient earnings while opening up Pell grants to new program types. Both initiatives will require development, implementation, and significant oversight.
- **Some colleges engage in fraud, waste, and abuse:** Too many colleges remain eligible for federal aid, despite a history of misrepresenting their services and the credentials they provide. Students who are misled by their colleges can receive relief on their debt through a process known as borrower defense to repayment. Currently, tens of thousands of borrowers who attended colleges known to have engaged in misrepresentation await the resolution of claims and relief from their debt.

Policy Goals

- **Federal accountability systems should ensure institutions provide students value and return on their investment.** Any accountability approach should center on students and ensure they are not left worse off after enrolling. Policies should consider how students fare while enrolled, evaluating their retention and completion, as well as post-graduation outcomes, such as earnings, loan repayment, and default rates. The gainful employment rule (GE), which considers whether students take on too much debt relative to their earnings, and whether a program leads to increased earnings compared to a high school graduate for career education programs, is a commonsense approach to ensuring return on investment. The Education Department is implementing a similar policy called the Fair Value Transparency (FVT) framework which helps ensure students have transparency about program costs, financial, and other outcomes before enrolling. The recently passed earnings accountability metrics for degree programs will help ensure all students receive a minimum level of value. But it does not include certificate programs or account for unaffordable debt which makes it important for the Department to maintain a strong GE rule and the FVT framework.
- **Strengthen accountability measures for student loan defaults.** Policymakers should strengthen the Cohort Default Rate to ensure colleges are held accountable for significant student loan defaults overtime.
- **Provide both consequences and support for improvement.** Accountability measures should consider imposing consequences when an institution is not providing a return on investment to students. These punishments could range from losing access to federal aid, schools providing payment as insurance if a school closes or does not provide students a return on investment, or limits on enrollment. Incentives should include additional funding to under-resourced institutions to invest in improving student success.
- **Maintain and strengthen student protections.** When a student has taken on student debt and their educational investment doesn't pay off, colleges face steep consequences ranging from hard financial choices to repay debt to default, which comes with steep costs. It is critical that student protections are maintained regardless of the Federal approach to accountability. These protections include closed school discharge when their school suddenly closes, borrower defense to repayment discharges if they are misled by their school, and affordable student loan repayment options.
- **Ensure the Department has adequate resources.** The Department of Education requires necessary staff and funding in order to meet its statutory obligations.